

23 July 2015

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

EMO0029: AEMC 2015, Implementation advice on the shared market protocol, draft advice

SA Power Networks welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft advice on the implementation of the shared market protocol (SMP), issued on the 25 June 2015.

SA Power Networks strongly supports the establishment of a shared market protocol and common communications platform for meter services. We support the proposal to implement the SMP by enhancements to existing B2B procedures and systems, and for ongoing governance through an expanded IEC. We do, however, have concerns with some specific aspects of the draft advice, and these are set out below.

Governance arrangements

SA Power Networks supports expanding the membership of the IEC to include a broader range of industry participants. The future SMP platform will be used not just by DNSPs and retailers, but also by independent Metering Coordinators (MCs) and third-party service providers, and it is appropriate to include these parties in the IEC.

SA Power Networks also supports the inclusion of a representative of AEMO on the IEC, and a consumer representative. In addition, we consider that the two independent positions that exist today should be retained, including the independent chair.

SA Power Networks does not support reducing the number of DNSP representatives from three to one, as we do not consider that this will be adequate to represent the diversity of views across different DNSPs. DNSPs have different priorities and requirements arising from jurisdictional differences in operational procedures, regulatory cycles, and local Government rules and regulations. These jurisdictional differences between DNSPs need to be taken into account in formulating the future SMP procedures, plans and transitional arrangements.

More generally, SA Power Networks is concerned with the extent of the change proposed to the makeup of the IEC. AEMC's proposal would transform the IEC from a committee of eight members, 75% of whom represent the retailers and DNSPs who rely on the B2B procedures for their daily operations, to one of ten members in which DNSP and retailer representation would be reduced to just 10% each. This will not reasonably reflect the balance of interests across the different parties during the transition to a fully competitive market for metering. For example, under the proposed voting arrangements, a change to a B2B procedure could be approved even if it were opposed by all retailers and all DNSPs – even though retailers and DNSPs may be the only parties using that procedure.

We are also concerned with the disruption associated with making such a significant change to IEC membership at this time, and the loss of continuity of experience associated with removing four out of eight current members to make way for new participants, especially given the significant workload associated with developing and implementing new procedures in preparation for the commencement of the new competition in metering rules.

SA Power Networks favours a more incremental approach to adapting the membership of the IEC to suit the new market arrangements. We propose, in the first instance, that the four new members proposed by AEMC be added to the existing membership, bringing the total membership to 12, being:

- two independent members, one of whom would be the chairperson – as today;
- three DNSP representatives – as today;
- three retailer representatives – as today;
- one independent MC/MP/MDP representative (not affiliated with any DNSP or retailer);
- one third-party B2B participant representative;
- one consumer representative; and
- one AEMO representative.

Under this arrangement the two discretionary members proposed to be appointed by AEMO would not be required.

Once the new market procedures and SMP are in place and the new market rules have commenced, it may be appropriate to reduce the membership to 10 by retiring one DNSP and one retailer member. This could potentially be undertaken as part of the broader 3-year market review proposed by AEMC in the proposed competition in metering rule change. SA Power Networks does not support the inclusion of discretionary members appointed by AEMO, as this has the potential to skew voting in favour of one class of market participant over another. We consider that the inclusion of two independent members and a consumer representative will ensure that a wide range of perspectives are taken into consideration without the need for additional discretionary members.

B2B procedures

SA Power Networks notes the AEMC's draft recommendation that:

*"B2B procedures must, in addition to the existing content requirements set out in clause 7.2A.4 of the NER, prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to each of the services set out in the minimum services specification."*¹

SA Power Networks broadly supports this statement, but in our view the SMP should include procedures not only for the services in the minimum services specification, but also for those network-related smart meter functions that have been classified by AEMO as 'secondary' and 'value added' services². These services underpin a number of the outcomes referred to in section 4.1 of AEMC's draft advice:

"The potential increased uptake of services by DNSPs related to network functions is expected to assist them to monitor reliability, security and quality of electricity supply. For example, access to supply status and voltage monitoring may enable DNSPs to respond more promptly

¹ AEMC implementation advice on the shared market protocol, draft advice, section 6, Box 6.1

² AEMO advice to COAG Energy Council, Minimum Functionality of Advanced Meters, November 2014

to power outages or poor quality supply. In addition, access to direct load control, remote disconnection and remote reconnection by DNSPs may enable them to manage the use of the network more efficiently and make more efficient decisions on network investment. Deferring unnecessary investment in networks would save costs for consumers.”³

Of particular concern is the omission of load control, a service that is delivered via the metering installation at millions of customer premises across all NEM jurisdictions today, upon which networks rely on a daily basis to ensure that network assets are used efficiently and are not overloaded at peak times⁴. Unless the SMP includes well-defined B2B procedures for load control that DNSPs can rely on to provide the same capabilities they have today, DNSPs may have no choice but to continue to rely on their own load control device on the meter board instead of using the load control capability of a new smart meter. This would represent a missed opportunity for both DNSP and MC, and a poor outcome for the consumer⁵.

Obligations on parties

SA Power Networks strongly supports AEMC’s recommendation that:

“DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants are required to use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.”⁶

DNSPs and third party B2B participants will potentially need to interface with many different metering providers. As they do not appoint the MC they have no way to ensure that an MC that they rely on for meter services will remain in situ at any given premises, and can’t dictate communication standards. In such a market DNSPs and third party participants need to be able to rely on open access and common standards across all metering providers if they are to take up meter services.

SA Power Networks supports the principle that parties should be able to use alternative communication paths where all parties agree that there is value in so doing, to allow innovative service offerings to be developed that are not constrained by the capabilities of the B2B e-hub. We consider, however, that services that have the potential to impact on customer safety, continuity of supply or the integrity of the distribution network – in particular remote disconnect / reconnect – should *not* use transactions outside the B2B e-hub. Such services have high requirements in terms of cyber-security and serious consequences if misused, and their use should be fully auditable by AEMO. Allowing parties to transact in ad-hoc ways outside the secure B2B network for such services would introduce unnecessary risk to consumers.

SA Power Networks also seeks further clarity on the proposed charging arrangements through which AEMO will recover the cost of the B2B e-hub from market participants. As regulated business, SA Power Networks has no means to recover new operating costs that arise during a 5 year regulatory period.

³ AEMC implementation advice on the shared market protocol, draft advice, section 4.1

⁴ We have argued in submissions to the Competition in Metering rule change process that load control should be included in the minimum services specification, but as the rule is currently drafted it is not.

⁵ Noting that, while including load control in the SMP is a necessary step, an appropriate commercial and regulatory framework for access is also required to ensure DNSPs are able to rely on third parties to provide this service. We have addressed this issue in our submissions to the Competition in Metering rule change process.

⁶ AEMC implementation advice on the shared market protocol, draft advice, section 8, Box 8.1

Timeframe

SA Power Networks notes the AEMC's advice in relation to timeframes, as follows:

"While it is not vital that B2B procedures and the B2B e-hub are updated before the competition in metering rule commences, the benefits of the new arrangements would be maximised if they commence at the same time. To the extent possible the Commission will seek to align these implementation timeframes." [section 9.4]

SA Power Networks considers that the new B2B procedures and B2B e-hub *must* be in place for the commencement of the new metering competition rules, otherwise the market will inevitably be forced to adopt de-facto standards driven by early market participants, which may present a barrier to entry for others. It is also not clear to us how a MC could demonstrate compliance with its obligations under the proposed new rules to install a meter capable of meeting the minimum services specification if the associated procedures and communications platform were not in place.

In order to expedite the transition to the new rules, SA Power Networks recommends that AEMC includes in its final implementation advice a complete draft of the proposed rule change, and that this should include an implementation date for the SMP, to include at least all services in the minimum services specification and load control, that coincides with the commencement of the new metering

In other matters we rely on, support and endorse the positions put forward by the Energy Network Association (ENA) in its submission.

Should the AEMC require further clarification of any of our comments, please contact Mark Vincent, Manager Network Investment Strategy, on (08) 8404 5284.

Yours sincerely



Sean Kelly
General Manager Corporate Strategy